



NMSDC

**BEST PRACTICES
IN MINORITY
SUPPLIER
DEVELOPMENT**

GUIDELINES

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL

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The National Minority Supplier Development Council has developed a common set of standards, Best Practices for Minority Supplier Development. These are certain building blocks, tasks, practices and processes that NMSDC's corporate members report are necessary for success in minority business development.

This publication is a distillation of information shared by many corporations. Thank you to those supplier diversity professionals who contributed ideas and insights.

A self-assessment tool is also available. We hope it will help members to plan, assess progress, identify gaps, recognize achievements and attain more resources to chart a course toward superior performance in minority supplier development.

These and other publications are available on NMSDC's website.

Special appreciation for a job well done is due Ann Mullen, director of supplier diversity development for Johnson & Johnson, who led a working group from NMSDC's Advocacy Committee, including Dennis Glenn, ARAMARK Corporation; Ruth Johnson, The TJX Companies; Nannette Kelley, Motorola; Osby McMillan, PepsiCo, Inc.; and Kathleen Trimble, Robert Half International, Inc. Their experience and knowledge and ability to gather and organize data from many sources has contributed to this useful publication.

We are pleased to share this important information with you.

BEST PRACTICES IN MINORITY SUPPLIER DEVELOPMENT

NMSDC corporate members have developed eight goals that corporations implement to create a world-class minority supplier development process. A rationale for each goal and factors to consider in measuring the success of their implementation are included on the following pages.

- GOAL 1: ESTABLISH CORPORATE POLICY AND TOP CORPORATE MANAGEMENT SUPPORT
- GOAL 2: DEVELOP A CORPORATE MINORITY SUPPLIER DEVELOPMENT PLAN
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- GOAL 8: ESTABLISH A SECOND TIER PROGRAM

GOAL 1:

ESTABLISH CORPORATE POLICY AND TOP CORPORATE MANAGEMENT SUPPORT

Rationale:

Corporate executive management defines and documents its minority supplier policy, including annual performance goals, accountability, and reporting of minority supplier utilization, and its commitment to increasing minority supplier utilization.

MEASURES OF SUCCESS:

1. The corporate governance body has established a minority supplier development program as a policy of the corporation.
2. The CEO has issued a minority supplier development policy that articulates the rationale supporting the initiative. The CEO insures that this policy is communicated to staff and implemented.
3. The CEO has appointed appropriate full-time staff and resources for minority supplier development.
4. There is an executive advisory council/committee composed of key stakeholders to drive the program's progress.
5. All levels of management are accountable for minority supplier development.
6. Management directs that supplier diversity be incorporated into the business planning cycle.
7. Supplier diversity belongs in Procurement for most companies and business models, but in all cases it should be a part of the corporation's umbrella Diversity Strategy.
8. There is a written supplier diversity corporate policy that clearly defines executive management commitment and measures success.
9. Minority business utilization/metrics are included in annual performance goals for the corporation and for each business unit/division of the firm.
10. A minority supplier development strategy emanates from a business strategy and is not a "social" policy statement.

GOAL 2:

DEVELOP A CORPORATE MINORITY SUPPLIER DEVELOPMENT PLAN

Rationale:

The corporate minority supplier development plan acts as a means of ensuring that there is corporate-wide commitment to supplier diversity.

This includes establishing minority supplier development improvement plans with internal customers and cross-functional organizations.

MEASURES OF SUCCESS:

1. The policy is supported by a clearly-stated minority supplier development business case based on value to the corporation.
2. Employee reviews (of stakeholders, budget holders, etc.) are tied to performance in developing minority suppliers cross-functionally.
3. Corporation has an effective, active cross-functional supplier diversity steering committee.
4. The minority supplier development program promotes the inclusion of NMSDC-certified MBEs in all aspects of corporate procurement.
5. The corporate plan is reviewed by senior executive management on a regular basis.
6. Controls, processes, materials, personnel and resources needed to achieve program performance are identified and/or acquired.
7. Plan should include methodology to identify and develop minority suppliers.
8. Minority supplier development is integrated into all aspects of corporate business planning and is part of the "corporate DNA."
9. Plan exists for implementation of roles and responsibilities in minority supplier development in business units other than procurement.
10. Input from minority supplier groups is included in the minority supplier development process.
11. Develop language/tool kit regarding minority supplier development for salespeople to use in developing and negotiating contracts.
12. Supplier diversity management has a good understanding of the company's core operations.

GOAL 3:

ESTABLISH COMPREHENSIVE INTERNAL AND EXTERNAL COMMUNICATIONS

Rationale:

The procurement staff has established and maintains methods for communications about minority supplier development planning, execution and accomplishments.

MEASURES OF SUCCESS:

1. Company-wide awareness of initiative is promoted via multiple vehicles, for example, annual report, brochures, newsletters, prominent website placements, etc.
2. Minority supplier development information is disseminated to internal customers on a regular basis.
3. Minority supplier development education is included in new employee orientation.
4. On-going and specialized minority supplier development education is provided to all procurement personnel.
5. On-going and specialized minority supplier development training is provided to other business units.
6. Company encourages MBEs to seek certification and external training.
7. Supplier selection criteria are explained to minority suppliers.
8. Minority suppliers who are not successful in winning bids are debriefed so that they can be more competitive.
9. The largest MBE suppliers are well versed on corporate and procurement goals and objectives.
10. The corporation has an effective process to respond to prospective suppliers.
11. Company representatives participate in the National Minority Supplier Development Council and its affiliate network.
12. Articles and advertisements are placed in business media to help identify potential MBEs.
13. Participation in trade fairs, etc., including regional participation and support, with objectives and a method to measure outcomes.
14. Supplier diversity results are published in the corporate annual report and/or corporate sustainability report.

GOAL 4:

IDENTIFY OPPORTUNITIES FOR MBES IN STRATEGIC SOURCING AND SUPPLY CHAIN MANAGEMENT

Rationale:

Analysis of total corporate spend (by business unit/department) to determine opportunities is critical to the success of the corporate minority supplier development process. Supplier diversity staff has established and maintains methods for soliciting MBEs and considering business units and first tier suppliers. Supplier diversity staff has established and maintains methods for identifying, recruiting and developing MBEs.

MEASURES OF SUCCESS:

1. Minority supplier development is formally integrated into the corporation's strategic sourcing process.
2. There is one or more strategic "big hits" with an MBE currently in place in each planning cycle.
3. MBEs are significantly integrated in all product/service/commodity areas of spend, including non-traditional areas of spend.
4. Process is in place to review the expiration dates of all existing contracts
 - With minority suppliers to maintain continuity
 - To find new opportunities for minority suppliers
5. Supplier diversity has targeted long-term, big hit opportunity areas.
6. Corporation has a process in place, which the supplier diversity team is aware of, for setting minimum targets for as well as tracking new RFPs/RFIs/RFQs, to insure the inclusion of minority businesses in the development process.
7. RFPs/RFIs/RFQs have standard language in place to identify MBEs and the supplier selection process sets minimum targets for MBE supplier inclusion and selection.
8. A process exists that will review the outcomes of the RFP/RFI/RFQ process, for monitoring inclusion and utilization of MBEs.
9. Incorporate into formal procurement policy with accountability.
10. Cooperate with other corporations to share top performing minority suppliers via the NMSDC network, such as industry groups, Centers of Excellence, etc.
11. MBEs are developed for potential utilization in underutilized product/service/commodity areas.
12. The supplier development team ensures the screening process is fair and within acceptable guidelines.
13. The supplier development team will clearly define and communicate the registration process throughout the corporate business units as well as the minority supplier groups.

GOAL 5:

ESTABLISH COMPREHENSIVE MINORITY SUPPLIER DEVELOPMENT PROCESS

Rationale:

Procurement has established, maintains, and continuously improves methods for preparing MBEs for global competitiveness and sourcing trends such as supplier rationalization, through assistance in all aspects of capacity building.

MEASURES OF SUCCESS:

1. Mentor program established and active.
 - Relationship building for sustainability and ongoing the strengthening of mutual trust
 - One-to-one coaching, executive relationships with similar functions, finance to finance, etc.
 - Business process improvement and redesign, using lean thinking and lean manufacturing processes
2. Training of all types provided to MBEs.
 - Supplier training on corporate objectives, culture and supply chain trends
 - “Universities” or formal learning programs
 - Internal training for all suppliers (Six Sigma, quality, safety, effective communications, negotiations, etc.)
 - Support of MBE training at regional levels
 - Provide NMSDC/Kellogg or other scholarships to MBEs
3. Capacity-building activities such as:
 - Business Consortium Fund and other finance options
 - Establish joint ventures, and valid strategic partnerships
 - Facilitate mergers and acquisitions
 - Technical assistance provided, e.g., marketing, management, accounting, international trade operations, production, financial, etc.

GOAL 6:

ESTABLISH TRACKING, REPORTING AND GOAL-SETTING MECHANISMS

Rationale:

The establishment of aggressive goals for minority business spending, tracking those goals, and communicating results and goal achievement provides accountability and recognition throughout the organization. These payment dollars flow from Accounts Payable.

MEASURES OF SUCCESS:

1. There is an established minority supplier tracking system to enable results reporting (ability to track MBE spend by business unit/department, buyer, commodity, geographical area, ethnicity, gender, cost reduction dollars, etc.).
2. Track MBE cost savings/cost reduction contribution.
3. Minority supplier utilization records are prepared to identify current MBEs in the supply chain.
4. There are clearly stated minority supplier development performance goals for example, year-over-year percent increase, dollars and percentage of spend and utilization, etc.). Performance results are measured against these established goals. Minority supplier development performance goals are reviewed and re-calibrated on a regular basis. There is a person responsible for reporting minority supplier development results.
5. Supplier diversity key metrics are reviewed regularly by senior corporate management team, chief executive officer, chief financial officer, etc.
6. Scorecards are created to measure performance.
7. Achievement of goal is tied to performance reviews.
8. Quality reporting systems provide accurate spending on at least a quarterly basis.
9. Tying minority spending and goal achievement to market access, revenue generation and customer and consumer satisfaction ensures continued support for the program horizontally and vertically throughout the organization.

GOAL 7:

ESTABLISH A CONTINUOUS IMPROVEMENT PLAN

Rationale:

The corporate minority supplier development program needs to be fine-tuned on a regular basis to follow changes in corporate objectives and growth (including growth by acquisition and mergers).

MEASURES OF SUCCESS:

1. The corporation has established and maintains documented procedures for planning and implementing internal minority supplier development audits to verify whether activities and related results comply with the plan.
2. Surveys are conducted with key stakeholders internally to ensure minority supplier development is exceeding customer expectations.
3. A process exists for ongoing communication between the corporation and MBEs to assist and fine-tune the performance of contracts through vehicles such as surveys conducted with MBEs to determine areas for continuous improvement.
4. Participate in benchmarking with other corporations to identify best practices and then plan for their systematic adoption by the organization.
5. Develop overall supplier diversity strategy, including multi-year plans tied to corporation values and aligned with overall corporate strategy and functional department strategies, especially procurement strategies.
6. Participate in "next practices" exercises to envision innovative strategies well in advance of the need for those practices.

GOAL 8:

ESTABLISH A SECOND TIER PROGRAM

Rationale:

A comprehensive Second Tier program creates a significant multiplier effect by encouraging the continual establishment of new supplier diversity programs, which in turn create incremental opportunities for minority businesses.

MEASURES OF SUCCESS:

1. Corporation has established a Second Tier program that includes leadership commitment, resources, contract language, goal setting, selection of initial group of First Tier suppliers and commodities, training, reporting and audit, consequences for not meeting goals, incentives for goal attainment and recognition.
2. The goals are reviewed with the First Tier suppliers.
3. There is a formal system in place to measure the performance of these suppliers against goals.
4. There are sanctions and/or remedial action plans if First Tier suppliers fall short of expectations.
5. Goals should be reasonable, challenging, tailored by industry and subject to continuous improvement.
6. There are alternative activities, such as developing an MBE, for departments and individuals who do not meet their goals.
7. Corporate processes mirror NMSDC guidelines.



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